Phoenix Life Assurance Europe DAC

Head of Actuarial Function Report:

On the proposed transfers of business from ReAssure Life Limited ("RLL") and Phoenix Life Limited ("PLL") to Phoenix Life Assurance Europe DAC ("PLAE")

Date of Report: 28 June 2022

Contents

1. Executive summary

1.1. Overview

1.1.1. This report discusses the proposed scheme for the transfer of certain policies written in the European Union ("EU") by companies in the Phoenix group to PLAE under Part VII of the Financial Services and Markets Act 2000 (in the UK) (the "Scheme") and under Section 13 of the Assurance Act 1909 (in Ireland) (the "Irish Transfer Scheme" and together with the Scheme, the "Schemes"). There are two proposals which are set out in separate Schemes of Transfer.

1.1.2. The transferring policies comprise:

- Unit-linked business written in Norway and Sweden and Critical Illness business written in Germany by RLL (the "RLL remaining EEA book");
- The Irish Third Country Branch ("PLL TCB") of PLL comprising annuities, with-profits, non-profits and unit-linked business written in Ireland; and
- Non-linked non-profits business in Germany and Iceland provided by PLL.

1.1.3. PLAE was newly incorporated in December 2020, with a view to it becoming the nominated transferee of the proposed Schemes. It is 100% owned by ReAssure Limited ("RAL"), which is a large UK life company and a sister company of RLL and PLL within the Phoenix Group.

1.1.4. In August 2021 an application was submitted to the CBI for the authorisation of PLAE to carry out long-term insurance business in Ireland, including the transferring business (the "Application"). The transfers are dependent on the approval of this application by the CBI.

1.1.5. As noted in Section 5.1, the Scheme means EEA policyholders will continue to receive the full rights and the range of available benefits under their policies in compliance with applicable law and regulation (as they originally envisaged) from a single EEA based insurer with a sufficient scale of business to ensure a consistent and appropriate approach can be taken in the event of future legislative and regulatory divergence between the UK and the EU.

1.2. Terms of the transfers and associated agreements

1.2.1. The Schemes will transfer the relevant policies from RLL and those from the non-profits fund of PLL into the PLAE non-profits fund, along with any transferring assets and liabilities associated with those policies.

1.2.2. PLAE will set up ring-fenced funds corresponding to the four PLL with-profits funds with Irish PLL TCB business to be transferred under the Scheme, and the relevant policies would be transferred into the PLAE with-profits funds, along with any transferring assets and liabilities associated with those policies.

1.2.3. At the same time as the transfers, PLAE will enter into with-profits reinsurance agreements with PLL that will reinsure 100% of the liabilities in these with-profits funds back to PLL. The reinsurance premium will offset against the value of transferring assets from the with-profits funds with the result that those assets will be retained by PLL.

1.2.4. PLAE will set up unit-linked funds that correspond to the range of funds invested in by the transferring unit-linked policyholders of PLL and RLL. Units will be allocated to transferring policies of equal number and value to those held prior to the transfer.

1.2.5. At the same time as the transfers, PLAE will enter into unit-linked reinsurance agreements with PLL and RLL that reinsure the investment elements of the unit-linked transferring business back to the transferors. The reinsurance premium will offset against the value of the transferring unit-linked assets with the result that those assets will be retained by PLL and RLL.

1.2.6. PLAE will establish a capital management policy ("Capital Management Policy") that will follow the structure and principles that underpin the Phoenix group life companies' Risk Appetite Framework. The main objective of the Risk Appetite Framework is to ensure that the group companies can meet their regulatory capital requirements under internally specified stress scenarios.

1.2.7. RLL and PLL will each grant floating charges to PLAE, which are not restricted to any specified pool of assets but attach to all available assets. The floating charge will cover the total obligations of the reinsurer to PLAE on an insolvency of the reinsurer and ensures that PLAE ranks at equal priority with unsecured insurance creditors of the reinsurer in that insolvency.

1.2.8. For three of the four transferring With-Profits Funds ("WPFs") of PLL, PLL will grant a fixed charge over 65% of the reinsured best estimate liabilities ("BEL"). That is, assets equalling 65% of the value of the reinsured BEL will be held in segregated custodian accounts. The fixed charges are limited to the secured liabilities under the relevant reinsurance agreements, which are defined to equal the contractual termination amounts. Given the amount of exposure (c€1.5m) in the fourth transferring WPF, the PLL 90% WPF which is in run-off, a fixed charge is unlikely to provide any material benefit to PLAE, and so the intention is not to grant a fixed charge over the PLL 90% WPF.

1.2.9. PLAE intends to enter into a Management Services Agreement ("MSA") with Standard Life Assets and Employee Services Limited ("SLAESL") (Irish Branch), a service company within the group.

1.2.10. SLAESL (Irish Branch) will provide the resources required to support the operations of PLAE set out in the respective MSA Service Schedules, utilising other internal and external service companies in the delivery of these activities.

1.2.11. ReAssure Limited ("RAL"), the parent company of PLAE, will contribute the initial share capital of PLAE in a two-stage process:

- RAL has injected sufficient capital to hold eligible basic own funds to cover at least the regulatory Minimum Capital Requirement ("MCR") prior to the time of PLAE's authorisation (expected to be in September 2022); and
- RAL will inject the remaining amount of capital required to meet regulatory solvency capital requirements and the amount in excess of those requirements to satisfy the PLAE Capital Management Policy for the transferring business prior to the transfers of business from RLL and PLL. This is a requirement of the Schemes before the transfers can take effect.

1.2.12. A one-off payment is to be made from PLL to PLAE as required to satisfy transfer pricing considerations. Allowing for this payment, which will contribute to the total capital of PLAE, RAL will be contributing circa ¾ of the total capital for PLAE.

1.3. Projected financial position of PLAE

1.3.1. The base balance sheet has been produced on a pro-forma basis at 31 December 2021, assuming the transfers of business from PLL and RLL took place on 31 December 2021. Table 1, below, shows the projected financial position of PLAE to 2026 based on 31 December 2021 actual data.

Table 1: Projected Financial Position of PLAE for year-end ("YE") 2021 to 2026

€m	YE21	YE22	YE23	YE24	YE25	YE26
Total Assets (A)	1,299	1,181	1,081	990	907	831
Total Liabilities (B)	1,181	1,059	963	876	798	726
Own Funds (OF =A - B)	118	122	118	114	110	105
Solvency Capital Requirement ("SCR")	79	76	74	71	68	65
SCR to OF ratio before dividend	150%	159%	160%	161%	162%	162%
Dividend	N/A	7	7	8	8	8
SCR to OF ratio after dividend	150%	150%	150%	150%	150%	150%

1.3.2. The projections show that PLAE remains capitalised to 150% of the required SCR over the period, in line with the stated risk appetite for solvency coverage as expressed by the Board. PLAE will calculate its SCR using the Solvency II Standard Formula. The calculation of PLAE's SCR shows that the key risks of PLAE are longevity and credit spread risk from its annuity business, and counterparty default risk arising from its reinsurance arrangements.

1.3.3. I note that the fixed per-policy service cost schedules have not been finalised, as they are dependent on the final budgeted costs to be borne by SLAESL. However, they have been allowed for on a best-estimate basis in the calculation of PLAE's technical provisions. I will provide an update on the PLAE expense provisions in my supplementary report.

1.3.4. PLAE has produced solvency projections on a range of appropriate stress scenarios covering the material risks and features of the business. The projections showed that, even under severe stresses, PLAE was able to return to within its risk appetite during the five-year projection period through normal operation of the business without seeking further financial support from its parent.

1.4. Operational readiness

1.4.1. At the time of writing, PLAE does not have any policyholders nor existing processes in place.

1.4.2. Section 3.3 sets out a description of the planned administration arrangements for policies transferring to PLAE. In particular, MSA arrangements for PLAE will be put in place that deliver resources to carry out all of the services included in the existing arrangements in relation to the transferring contracts from PLL and RLL. Since the current UK-based service providers are not authorised to provide regulated servicing activities to PLAE, these services will be relocated to Ireland. The existing administration processes and IT servicing platforms are planned to continue with only changes to the location, oversight, and governance of the services as a result of the transfer.

1.4.3. Phoenix group has also set up an Operational Readiness project for PLAE. The overall project plan has been split into a number of workstreams, each of which is led by an appropriate person and governed by a terms of reference. All the terms of references have been finalised and approved. The workstreams are resourced with experienced existing staff across RLL, PLL and/or outsourced team members.

1.4.4. The progress of the plan is managed using a set of key milestones and deliverables which aims to ensure all aspects of operational readiness are in place prior to the planned transfer date of 1st January 2023.

1.5. Conclusions

1.5.1. Based on the information available to me at this time, I conclude that the proposed funding mechanism means that:

- PLAE should have sufficient own funds to meet its regulatory capital and Capital Management Policy at all stages of the transfer process;
- PLAE should be able to meet its Capital Management Policy requirements throughout the projection period; and
- PLAE should have sufficient resources to withstand adverse stress scenarios and, based on its proposed management actions in those scenarios, return to within its Capital Management Policy solvency level within a reasonable period of time.

1.5.2. I have reviewed the material assumptions and the modelling methodology used by PLAE to produce its financial projections and am satisfied that they are materially appropriate.

1.5.3. I have also reviewed the draft reinsurance and security agreements between PLAE, RLL, and PLL, and am satisfied that:

- the operation of the treaties should not change the benefits provided to transferred policyholders (as against the benefits which they would have received had they not been transferred to PLAE); and
- the termination terms of the reinsurance agreements and the security agreements provide an appropriate degree of protection to PLAE against the risk of downgrade or default of the reinsurers.

2. Purpose, scope, reliances and compliance

2.1. Purpose of this report

2.1.1. As the proposed Head of Actuarial Function ("HoAF") of PLAE, I, Niall Naughton, Signing Director of PricwaterhouseCoopers, have been asked to comment on the proposed scheme for the transfers of certain policies written in the European Union ("EU") by companies in the Phoenix group, to PLAE. The transferring policies comprise:

- Unit-linked business written in Norway and Sweden and critical illness business written in Germany by RLL (the "RLL remaining EEA book");
- The PLL TCB comprising annuities, with-profits, non-profit and unit-linked business written in Ireland; and
- Non-linked non-profits business in Germany and Iceland provided by PLL.

2.1.2. These books of business will transfer out of PLL and RLL under Part VII of the Financial Services and Markets Act 2000, and the PLL TCB will additionally transfer under Section 13 of the Assurance Companies Act 1909 (the "1909 Act") (together the "Transfers"). The Transfers are dependent on one another, and one will not become effective unless the other is sanctioned by the appropriate court. The Transfer proposals are set out in the respective Schemes.

2.1.3. Prior to the Schemes taking place, PLAE has no policyholders and therefore I do not need to present any conclusions on the impact of the Schemes on the security and expectations of any group of transferring or non-transferring policyholders as part of this report. These considerations are covered in the reports of the Chief Actuaries of PLL and RLL. I have relied on the investigations carried out, and opinions reached, by the Chief Actuaries in the assessment of the Schemes of the transferring PLL and RLL policyholders.

2.1.4. As part of my review of the application for authorisation of PLAE to carry out long-term business in Ireland (the "Application"), I have considered the following:

- the financial projections of PLAE, should the transfers be sanctioned;
- the ORSA, in particular adequacy of stress scenarios having regard to the risk profile of PLAE;
- the underwriting policy; and
- the proposed reinsurance and security agreements planned between PLAE and PLL and RLL following the transfer.

2.2. Guidance on its usage

2.2.1. This report is addressed to the Board of PLAE. I also note that this report may be considered by the Central Bank of Ireland (the "CBI"), the Prudential Regulatory Authority (the "PRA"), and the Financial Conduct Authority (the "FCA") (together the "Regulators"), as part of their consideration of the Schemes. A copy of this report will be provided to the High Court of England and Wales and the Irish High Court (the "Courts"). This report may also be made available to the transferring policyholders and other interested parties in the transfer.

2.2.2. A glossary of the definitions and abbreviations used in this document is included in Section 8.

2.3. Independent Person

2.3.1. Mr Philip Simpson of Milliman LLP has been retained by the Phoenix group companies as the Independent Person and has been approved as such by the CBI and the PRA in consultation with the FCA.

2.4. Status and disclosures

2.4.1. I am a Fellow of the Society of Actuaries in Ireland ("FSAI"), with 25 years of actuarial experience. Subject to the approval of my appointment by the CBI, I will act as the HoAF for PLAE.

2.4.2. I am an employee of PricewaterhouseCoopers Ireland and am the head of its Irish Life Actuarial Practice. I have no personal financial interest in the Phoenix group nor hold any policies with the group. The terms of my engagement as HoAF have not influenced me in reaching any of the conclusions detailed in this report.

2.5. Scope and reliances

2.5.1. This report is addressed to the Board of Directors of PLAE. The Independent Person, the Regulators, and the Chief Actuaries of RLL and PLL have been provided with drafts of this report throughout the Part VII and Section 13 process.

2.5.2. In carrying out the work and producing this report, I relied on data and other information provided by RLL and PLL. I have reviewed the information for consistency and reasonableness but I have not audited or otherwise validated it. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

2.5.3. The financial information provided to me for PLAE has been prepared on a Solvency II basis based on data up to 31 December 2021. The production of this information relied upon actuarial data and information provided by PLL and RLL, which were externally audited. PLAE has calculated its own pro-forma financial information presented in this report, assuming that the transfers had taken place on 31 December 2021.

2.5.4. Totals may not add up due to rounding.

2.5.5. This report is based on information made available to me up to the date of this report and takes no account of developments after this date.

2.5.6. Further information on reliances and limitations associated with this report can be found in Section 8.

2.6. Compliance with regulatory and actuarial standards

2.6.1. My work has been performed in accordance with my engagement letter (the "engagement letter"), dated 23 July 2021. There is no actuarial professional guidance specifically covering the work of the HoAF in respect of a Part VII transfer or Section 13 transfer. However, my work has been performed in accordance with Actuarial Standard of Practice ASP-PA2 v1.2, effective 1 March 2022, issued by the Society of Actuaries in Ireland that covers general actuarial practice.

3. Background information on PLAE

3.1 History and ownership

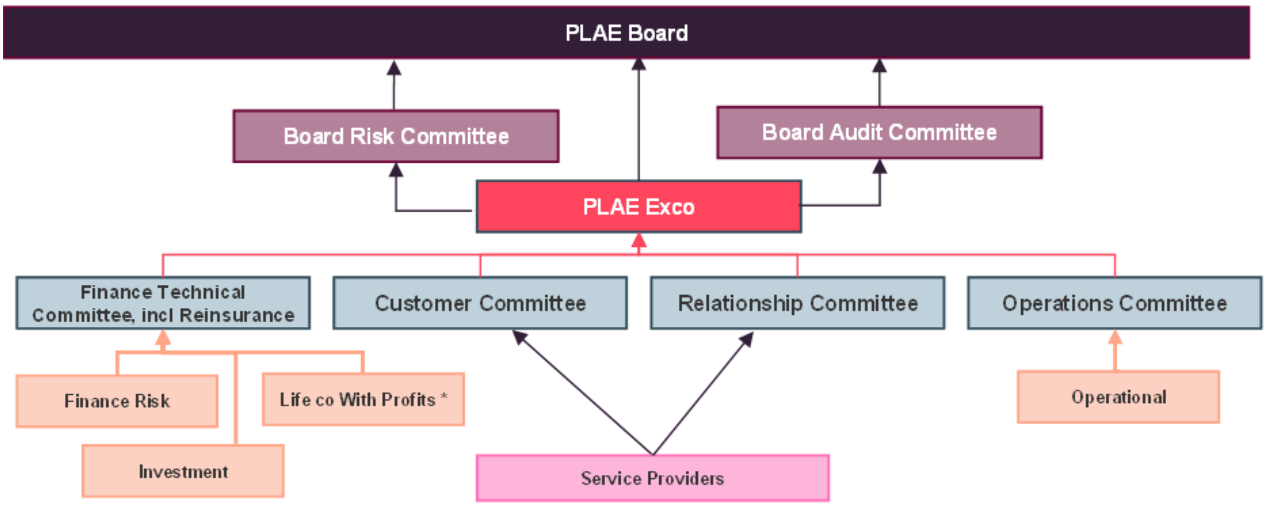
3.1.1. PLAE was newly incorporated in December 2020, with a view to it becoming the nominated transferee of the proposed Schemes. It is 100% owned by ReAssure Limited (“RAL”), which is a large UK life company and a sister company of RLL and PLL within the Phoenix Group.

3.1.2. In August 2021, an application was submitted, by RAL, to the CBI for the authorisation of PLAE to carry out long-term insurance business in Ireland, including the transferring business (the “Application”). RLL and PLL will not proceed to the sanctions hearings of the Schemes if the authorisation of PLAE is not complete by the time of the sanctions hearings as expected. The Application is being considered by the CBI at the time of writing this report.

3.2. Corporate governance

3.2.1. PLAE will have its own Board of Directors and a structure of Board and Management Committees designed to meet the anticipated needs of running the business as an independent entity within the Phoenix Group. The following diagram summarises the proposed PLAE system of governance.

Figure 1: PLAE Governance Structure



- Board Committees
- PLAE Management
- PGMS Existing Group Committees - these will have PLAE representation, but for information only. These committees will support with the specialist review and challenge process, but will not have any decision making authority for PLAE
- Service providers providing recommendations and MI to PLAE for PLAE decision making, challenge, review and escalation in Ireland

'* PLAE must have right of access/representation at the PLL Board WP Committee, and access to UK WPAs. Decisions in respect of PLAE WP policyholders (bonus rates) will need formal recommendation from the PLAE HOAF and ratification at the PLAE Board.

- Remuneration and nomination committee will be provided by wider Phoenix Group

3.2.2. The PLAE Board will have a majority of independent non-executive directors including the Chairman. The PLAE Board is accountable for the long-term success of the company by setting the company’s strategic objectives, within the overall strategy defined by the Group Board, and by monitoring performance against these objectives.

3.2.3. Day-to-day operations and decision making are delegated by the PLAE Board to the PLAE Executive Committee ("Exco") Meeting. The PLAE Board will establish two committees to assist the Board in the management of the company's business:

- **Audit Committee:** The primary responsibility of this Committee is to assist the PLAE Board in discharging its responsibilities with regards to monitoring the integrity of the Company's financial statements, the effectiveness of internal control and the independence and objectivity of the internal and external auditors.
- **Risk Committee:** This committee assists the PLAE Board in discharging its responsibilities with regards to management of the company's risks – including ongoing monitoring of risks, setting risk appetites and overseeing the annual Own Risk and Solvency Assessment (ORSA) process.

3.3. PLAE operations

3.3.1. PLAE will directly employ individuals in Ireland who will hold responsibilities for certain Pre-approved Controlled Functions ("PCF roles").

3.3.2. In addition, it will have an intra-group MSA with the Irish Branch of Standard Life Assets and Employee Services Limited ("SLAESL"), a group service company, to provide resources and other infrastructure to support its operations. Staff will be employed by SLAESL and dedicated to support PLAE. Additionally, SLAESL is party to a shared service agreement with other Phoenix service companies, primarily Phoenix Group Management Services Limited ("PGMS"). Through this arrangement, PLAE will be able to access a number of UK-based services including financial reporting, investment management, tax, the oversight of external third parties, and other centralized functions. SLAESL will also contract with external providers involved with the delivery of services to PLAE.

3.3.3. The administration of policies transferring from PLL is currently outsourced to Diligenta Limited ("Diligenta") and SS&C International Managed Services Limited ("SS&C"). The administration of policies transferring from RLL is currently outsourced to ReAssure UK Services Limited ("RUKSL").

3.3.4. Neither Diligenta nor RUKSL are authorised to provide regulated servicing activities to PLAE in Ireland. Therefore, those services are planned to be carried out directly by PLAE using staff and other infrastructure provided by SLAESL. Diligenta and RUKSL will provide non-regulated services to PLAE via SLAESL, including access to the administration platforms used to service the business. The other external service providers are also expected to continue to support PLAE operations through the SLAESL MSA, including SS&C and also the minor external subcontractors TMI (Iceland) and SLVP (Germany). PLAE will be directly responsible for the oversight, control and direction of all of its outsourced activities.

3.3.5. Transferring policyholders should not experience any materially change in the standard and manner of policy administration. However, there may be some practicalities to address (e.g. those who are currently serviced from the UK will have new servicing contact details in Ireland).

3.4. PLAE Solvency II Pillar I treatment

3.4.1. **Technical Provisions**

PLAE does not intend to apply the Transitional Measure on Technical Provisions as described in the Solvency II Directive. The transitional risk-free interest rate term structure referred to in Article 308c of the Solvency II Directive will also not be used.

At outset, PLAE will also not apply either the Volatility Adjustment or the Matching Adjustment to the risk-free curve. Using either of these adjustments (where approved by the CBI) would increase the interest rate used in the calculation of the BEL and hence would decrease BEL.

3.4.2. **Capital requirements**

PLAE will calculate its capital requirements on a Standard Formula basis. This is consistent with its immediate parent RAL and the business transferring from RLL. The capital requirements of the business transferring from PLL will move from an Internal Model basis to a Standard Formula basis within PLAE.

An assessment of the appropriateness of using the Standard Formula for all the business transferring into PLAE has been carried out by RAL as part of the Application. It concluded that the risk profile of PLAE does not deviate materially from the assumptions underlying the Standard Formula SCR calculation and that its use is therefore appropriate for PLAE. I have reviewed this information as required by the CBI for the application for authorisation of PLAE.

3.5. PLAE capital policy

3.5.1. PLAE's capital policy will follow the structure and principles that underpin the Phoenix group life companies' Risk Appetite Framework. The main objective of the Risk Appetite Framework is to ensure that the group companies can meet their regulatory capital requirements under internally specified stress scenarios. The strength of the capital policy is a function of these scenarios.

3.5.2. The scenario testing is based on holding sufficient capital to be able to meet the higher of the regulatory capital requirements after a 1 in 10 year all risk event, or after a 1 in 20 year market risk event. There are also tests relating to the quality of capital held. This internal additional capital margin is expressed as a percentage of the SCR. The scenarios and the percentage are reviewed from time to time to ensure that the capital policy continues to meet its objective. The percentage may thus change without affecting the strength of the PCP.

3.5.3. The Risk Appetite Framework initially requires PLAE to hold capital equal to 50% of the SCR in addition to the capital necessary to meet the SCR itself. That is, an SCR coverage ratio of 150%. If at any point there is an immaterial deficit relative to the PLAE capital policy, then no action is required to be taken other than that no capital can be released (for example through the payment of dividends). However, material deficits would require consideration of corrective action.

4. Background information on the transferring business

4.1. Background information on RLL

4.1.1. RLL was originally established in 1979 as Skandia Life Assurance Company Ltd, before being acquired by Old Mutual in 2006, and later rebranded as Old Mutual Wealth Life Assurance Limited ("OMWLA"). OMWLA was acquired by the ReAssure group on 31 December 2019 and became part of the Phoenix group on 23 July 2020. Under the terms of the sale from Old Mutual, OMWLA was rebranded as RLL on 13 June 2020.

4.1.2. Immediately upon its acquisition by ReAssure, RLL entered into an intra-group reinsurance agreement with RAL, which transferred the majority of the economic benefits and risks of its in-force business to RAL (the "RLL IGR"). The RLL IGR contains a partial recapture provision which is intended to be invoked upon the transfer of the RLL remaining EEA book to PLAE. Therefore, the risks associated with the remaining EEA business of RLL would transfer to PLAE and be removed from the risk profile of RAL. PLAE will not have any ongoing reinsurance arrangements with RAL.

4.2. Policies proposed to be transferred from RLL

4.2.1. In addition to its UK business, RLL sold unit-linked endowment, protection and investment bond business in Sweden (1988-2007), critical illness business in Germany (1999-2014), both through the Freedom of Services regulations in those countries; and unit-linked business through a Norwegian Branch (1997-2007). These books are all closed to new business apart from contractual rights to increase or renew existing policies.

4.2.2. **The Swedish business**

The following table shows the composition as at 31 December 2021 of the Swedish policies of RLL that were sold between January 1988 and December 2007 under the Freedom of Services regulations. This book is open to increments on existing policies. The best estimate liabilities ("BEL") show the unit-linked reserves by product.

Table 2: Composition of the Swedish Business

Product type	Policies	Unit BEL (€m*)	Non-Unit BEL (€m*)
Unit-Linked Investment Bonds	1,627	120.1	-6.2
Protection Policies	658	0.3	0.0
Unit-Linked Savings Policies	2,031	24.2	-0.1
Swedish Bonds	608	18.8	-0.8
Total	**4,924**	**163.4**	**-7.0**

* FX Rate Applied: £1:€1.1907

The unit-linked investment bonds are single premium whole of life policies, which can provide a regular income or lump sum, and do not contain any guarantees. These products were designed specifically for the Swedish market. The savings products are unit-linked regular premium contracts which may include life cover, and do not contain any guarantees. The protection policies are unit-linked regular premium whole of life policies. There is no transferring group business.

The policies are denominated in sterling, but premiums and claims payments are converted from/to and settled in Swedish Krona, and the policies are administered in Swedish (with a small amount of correspondence being sent in English).

4.2.3. **The Norwegian business**

The following table shows the composition as at 31 December 2021 of the Norwegian policies that were sold by RLL between March 1997 and December 2007 under a local branch, and moved following its closure to the Freedom of Services basis. This book is closed to increments. The best estimate liabilities show the unit-linked reserves by product.

Table 3: Composition of the Norwegian Business

Product Type	Policies	Unit BEL (€m)	Non-Unit BEL (€m*)
Unit-Linked Savings	320	6.1	-0.1
Unit-Linked Pensions	916	13.5	-0.6
Total	**1,236**	**19.6**	**-0.6**

* FX Rate Applied: £1:€1.1907

The savings business comprises unit-linked regular and single premium investment business, and does not contain any guarantees. The pensions products are administered as individual[1] single premium unit-linked policies (including transfers in) that may pay out a regular pension payment from the retirement date.

Premiums and claims are paid in Norwegian Krone, and the policies are administered in Norwegian.

4.2.4. **The German business**

The following table shows the composition of the German policies as at 31 December 2021 that were sold by RLL between August 1999 and July 2014 under the Freedom of Services regulations. This book is open to increments.

Table 4: Composition of the German Business

Product Type	Policies	BEL (€m*)
Non-linked critical illness	1,001	-1.7
Total	**1,001**	**-1.7**

* FX Rate Applied: £1:€1.1907

The product is a renewable 10-year term non-linked regular premium contract that pays a lump sum should the insured suffer from any of a range of defined critical illnesses and also provides guaranteed insurability options.

Premiums and claims are paid in Euros, and the policies are administered in German.

The BEL shown in table 4 is net of external reinsurance as set out in 4.2.5 below.

4.2.5. **RLL remaining EEA book - existing reinsurance**

RLL has a small amount of external reinsurance in-force that covers the portfolio of business transferring to PLAE, and this reinsurance is planned to transfer to PLAE.

Table 5: RLL remaining EEA Book - existing reinsurance

Business	Treaties	Reinsurer	Type of reinsurance	Gross BEL €m	Proposal for integration/transfer
German CI	SK/FR/02 & 03	Swiss Re	Quota Share	-2.6	Transfer to PLAE

[1] Four Norwegian policies were sold as group business, but they are individually administered.

4.3. Background information on PLL

4.3.1. Phoenix traces its history back to 1971, when it was incorporated as Lloyds Life Assurance Limited. It was subsequently renamed Royal Heritage Life Assurance Ltd ("RHL"), after its acquisition by the Royal Insurance Group in 1985. RHL was renamed Royal & Sun Alliance Linked Life Insurances Ltd in 1998 and the company's name was changed to Phoenix Life Limited in 2005.

4.3.2. Phoenix Life has been involved in a number of acquisitions and Part VII transfers since 2005, some of which brought in books of business that included policies that had been written within the EU but outside of the UK.

4.4. Policies proposed to be transferred from PLL

4.4.1. **PLL Irish Third Country Branch**

In December 2020, the CBI approved an application from PLL to hold all of its Irish business in a third country branch. The branch comprises of the following types of business as at 31 December 2021, that are included in the scope of the transfer.

Table 6: PLL Irish Third Country Branch business transferring to PLAE

Fund	Product Type	Policies	Gross BEL (€m*)
Non-Profit Fund	Annuities	9,114	471.5
Non-Profit Fund	UL, CNP, IP		46.0
SPI With-Profits Fund	CWP, CNP, UWP	6,876	306.7
Alba With-Profits Fund	CWP, CNP, deposit admin, annuities	852	20.8
Phoenix With-Profits Fund	CWP, CNP, Annuities	1,136	51.6
PLL 90% With-Profits Fund	CWP, CNP	1,996	1.5
Total		**19,974**	**898.1**

* FX Rate Applied: £1:€1.1907
** Approximately 1,400 of these policies are expected to be included in the NTMA process for dormant accounts during 2022.

These policies are all denominated in Euros. The SPI with-profits fund policies and particular policies transferring from the non-profits fund are administered by SS&C; and the remainder of the business is administered by Diligenta.

4.4.2. **Other PLL transferring business**

In addition to the PLL TCB, PLL has the following other books of remaining EEA business within its non-profit fund that are to be included in the transfer to PLAE.

The German and Icelandic business was originally written by Swiss Life (UK) Limited and transferred to Phoenix as a result of the Phoenix 2005 Scheme. It sits in the non-profit fund ("Non-Profit Fund").

The German business is a single life premium paying, accelerated critical illness product sold between 2001 and 2004 which has a reviewable premium and is denominated in Euros.

The Icelandic business is premium paying and is a mix of accelerated critical illness product, critical illness, and term assurance sold between 2002-2005, which are denominated in GBP.

There is external reinsurance in place for both the German and Icelandic business, and the BEL figures shown in the table below are net of the external reinsurance.

The administration of the Icelandic and German policies is subcontracted by Diligenta to Tryggingamiðlun Íslands ehf ("TMI") and S.L.P. Vertriebsservice AG ("SLPV") respectively.

Table 7: Other PLL transferring business

Product Type	Policies	YE21 BEL (€m)
Germany: Accelerated Critical Illness	333	-0.4
Iceland: Critical Illness and term assurances	1,304	0.3

4.4.3 PLL remaining EEA books - existing reinsurance

PLL has a number of external existing reinsurance arrangements that cover the portfolio of business transferring to PLAE. The external reinsurance is held with three reinsurers and the majority of these relate to the non-unit liability on unit-linked Irish business that will move to the Non-Profit Fund of PLAE. The intention is that these external treaties will continue in place and transfer to PLAE through the portfolio transfers.

Activity on two transactions continues:

- an existing treaty with Swiss Re covering 6 high value policies in the PLL SPI WPF. The planned SPI WPF reinsurance arrangements between PLAE and PLL (described in 5.3) will transfer the risks on these policies back into the PLL SPI WPF. Therefore, it is intended that this existing treaty be left within PLL and converted into a retrocession to Swiss Re; and
- a single legacy arrangement with UNUM where commutation/transfer options are being considered.

Table 8: PLL remaining EEA books - existing reinsurance

Fund	Treaties	Reinsurer	Type of reinsurance	Policies	Proposal for integration / transfer
PLL NPF Irish	ACT29	Swiss Re	Surplus	97	Transfer to PLAE
PLL NPF Irish	ACT35	Swiss Re	Variable QS	35	Transfer to PLAE
PLL NPF Irish	ACT48	Swiss Re	Variable QS	706	Transfer to PLAE
PLL NPF Irish	SPI Gen 1801	Gen Re	Variable QS	146	Transfer to PLAE
PLL NPF Irish	SL137	UNUM	QS	1	Transfer to PLAE
SPI WPF Irish	7632-01	Swiss Re	Surplus	6	Leave in PLL and convert to retrocession
PLL NPF German	SL107	Swiss Re	Variable QS	242	Transfer to PLAE
PLL NPF	SL110	Munich Re	Variable QS	988	Transfer to PLAE

5. Overview of the proposed transfers

5.1. Rationale for the transfers

5.1.1. The primary reason for the incorporation of PLAE, the Application for authorisation, and the proposed transfers, is to transfer the remaining EEA books of business from the UK life companies of the Phoenix Group to a suitable company in the EEA, following the UK's exit from the EU on 31 January 2020. This was followed by a transition period which ended on 31 December 2020.

5.1.2. The Part VII transfer is a "*transitional insurance business transfer scheme*" for the purposes of the post-31 December 2020 cross-border transfer provisions, as set out in the amended version of Part VII of, and Schedule 12 to, FSMA as set out in The Financial Services (Miscellaneous) (Amendment) (EU Exit) Regulations 2019.

5.1.3. In addition to the Part VII transfers in the UK, Phoenix is required under the laws of the Republic of Ireland to utilise the Irish portfolio transfer mechanism provided for under the Assurance Companies Act 1909 (as amended), the Insurance Act 1989 (as amended) and the European Union (Insurance and Reinsurance Regulations 2015 (Ireland)) in order to transfer the PLL TCB policies to PLAE. For this reason, the Irish Transfer Scheme and the Scheme are inter-conditional in terms of their taking effect.

5.1.4. PLL and RLL believe that a portfolio transfer of their respective EEA business will help ensure long term stability and certainty for policyholders following the UK's withdrawal from the EU.

5.1.5. Life and pension insurance business is long term in nature and following the UK's withdrawal from the EU, PLL and RLL may not be in a position to comply with the terms of the Policies held by EEA resident customers as well as comply with the laws and regulations in their jurisdiction, thereby ensuring that the Applicants can provide the range of policy benefits and flexibility of administration required for the policies of their EEA-based customers over the expected term of those Policies.

5.1.6. Whilst in the short term the UK and EU may continue to have the same rules around how they manage insurance business, following the UK's withdrawal from the EU, it is not known what differences could arise over time and there is no degree of certainty over regulatory divergence or regime changes in the future, both of which may bring the delivery of the range of available benefits under, or the administration of, the Transferors' EEA-based policies into question in the future.

5.1.7. To safeguard future customer stability and the ability to continue providing the range of available benefits under the Transferring Policies in accordance with the terms of such policies and in compliance with applicable law in the relevant EEA jurisdictions, it is preferable to transfer this business to the newly formed Irish company, PLAE. This means EEA policyholders will continue to receive the full rights and range of available benefits under their policies in compliance with applicable law and regulation (as they originally envisaged) from a single EEA Based insurer with a sufficient scale of business. This will ensure a consistent and appropriate approach can be taken in the event of future legislative and regulatory divergence between the UK and the EU.

5.1.8. If the interdependent schemes are not sanctioned, the consequences would depend on the reasons for refusing to sanction either scheme. If the grounds for refusal could not be remediated, RLL and PLL would need to explore, with local counsel and regulators, alternative options available which are likely to be less optimal than achieving the transfers.

5.2. Terms of the transfers

5.2.1. Transferring non-profit business

The non-profit business of PLL and RLL will be transferred into the PLAE non-profit fund, along with any transferring assets and liabilities associated with those policies.

5.2.2. Transferring with-profits business

PLAE will set up ring-fenced funds corresponding to the four PLL with-profits funds with Irish PLL TCB business to be transferred under the Scheme, and the relevant policies will be transferred into the PLAE with-profits funds, along with any transferring assets and liabilities associated with those policies.

At the same time as the transfers, PLAE will enter into with-profits reinsurance agreements with PLL that will reinsure 100% of the liabilities in these new funds back to PLL. The reinsurance premium will be offset against the value of transferring assets from the PLL with-profits funds with the result that those assets will be retained in PLL with-profits funds.

PLAE's Finance Technical Committee, which includes with-profits expertise, shall exercise governance over the interests of PLAE and its policyholders in relation to the PLAE with-profits funds. PLAE intends to follow the bonus declarations of Phoenix, and will declare at least as much as Phoenix.

On termination of a with-profits reinsurance agreement due to the closure of the relevant WPF in Phoenix, the with-profits policies within the relevant PLAE WPF will be converted to non-profit policies with guaranteed increases in benefits or to unit-linked policies in line with the approach taken by Phoenix on closure of the corresponding WPF. The business will be moved to the PLAE NPF and the PLAE WPF will cease to exist.

For termination of a with-profits reinsurance agreement in any other circumstance it will be for the Board of PLAE to decide whether to run the PLAE WPF as a stand-alone WPF, or to look to convert the with-profit policies as above. The Scheme provides for the Board of PLAE to apply a set of principles which conform with the principles for the management of the Phoenix WPFs which set out the basis on which the PLAE WPF is to be maintained.

5.2.3. Transferring unit-linked business

PLAE will set up unit-linked funds within the PLAE Non-Profit Fund that correspond to the range of funds invested in by / available to the transferring unit-linked policyholders of PLL and RLL. Units will be allocated to transferring policies of equal value to those held prior to the transfer.

At the same time as the transfers, PLAE will enter into unit-linked reinsurance agreements ("UL RAs") with PLL and RLL that reinsure the investment elements of the unit-linked Transferring Business back to the transferors. The reinsurance premium will be offset against the value of the transferring unit-linked assets with the result that those assets will be retained in the transferring unit-linked funds.

The Schemes will allow the PLAE Board to make future changes to add, modify, or amalgamate unit-linked funds (having regard to the advice of the PLAE Head of Actuarial Function) that the terms would be equitable to transferring policyholders.

5.2.4. Future annuity new business

PLAE may write new annuity policies in respect of its vesting in-force pensions business in Ireland and, subject to PLAE obtaining appropriate passporting rights, elsewhere in the EEA. Annuities vesting from policies in the PLAE WP Funds will ordinarily be written in the PLAE Non-Profit Fund on annuity rates approved by the PLAE Board. They will not be reinsured back to PLL.

Terms for Vesting Annuities - Guaranteed Annuities

Some of the transferring with-profits policies provide a benefit that is a guaranteed amount of annuity per annum. These benefits arise either because the with-profit benefit is expressed in annuity form, or because the with-profits benefit is expressed as a cash amount but the policy contains a guaranteed annuity option.

At the moment, the four Phoenix WPFs with Irish business secure their vesting guaranteed annuities by making a payment to the Phoenix Non-Profit Fund whereas, after the Scheme, this arrangement will be with the PLAE Non-Profit Fund.

PLAE will have its own underwriting and pricing policy for the annuity business it writes. This will reflect the prevailing solvency regime under which PLAE will operate in Ireland and local annuity experience in Ireland.

The with-profits funds will retain the alternative options they currently have, namely to secure annuities externally to Phoenix or to retain the annuities and pay them from the relevant PLAE WPFs. In the unlikely event the PLAE WPFs retain the annuities at the behest of Phoenix, they would automatically come under the reinsurance agreement.

Phoenix does not currently guarantee any terms for the purchase of such annuities by the with-profits funds and so the fact that the annuity prices might be different in the future does not change matters - it is already the current position that future annuity prices might be different.

Terms for Vesting Annuities – Non Guaranteed Annuities

Transferring with-profits pension's customers, whose benefits are in cash form, rather than annuity form, may wish to use all or part of their cash pot to purchase an annuity. Currently Phoenix will offer such customers an annuity calculated using the Phoenix annuity rate for Ireland, but customers have the option of purchasing an annuity at prevailing market rates with another provider if this gives them a better outcome. After the Scheme the transferring customers will be offered a PLAE rate, but will continue to have the option of purchasing an annuity at prevailing market rates with another provider if this gives them a better outcome.

5.2.5. **PLAE capitalisation**

The Schemes require PLAE to be capitalised according to its Capital Management Policy, as set out in 3.5, before the transfers can take effect.

5.2.6. **Cost of the transfer**

The cost of carrying out the transfers and entering into the associated agreements will be met by the shareholder funds of PLL and RLL.

5.3. Proposed reinsurance and security agreements

5.3.1. At the point the UK and Irish portfolio transfers from RLL and PLL to PLAE become effective (1st January 2023) and as a requirement of the Schemes, reinsurance arrangements will take effect which will reinsure certain of the liabilities transferred to PLAE under the Schemes back to RLL and PLL.

5.3.2. The intention is to put in place:

- With-profits reinsurance arrangements in relation to each of the four with-profits funds of PLL containing transferring business; and
- An associated fixed charge agreement in relation to the SPI, Alba and Phoenix with-profits funds of PLL (there will be no fixed charge over the reinsured assets held by PLL in the 90% with-profits fund); and
- A unit-linked reinsurance agreement with PLL; and
- A floating charge over the unsecured assets of PLL relating to the transferred with-profits and unit-linked business; and
- A unit-linked reinsurance and associated floating charge with RLL.

Table 9: Proposed reinsurance security arrangements

Treaty	Reinsured BEL at YE21 (€m)	Security	Business reinsured from PLAE
Phoenix Alba WPF	20.8	Fixed and Floating Charge	All business in PLAE Alba WPF. Mix of Irish wp and np business.
Phoenix SPI WPF	306.3	Fixed and Floating Charge	All business in PLAE SPI WPF. Mix of Irish wp and np business.
Phoenix Phoenix WPF	51.5	Fixed and Floating Charge	All business in PLAE Phoenix WPF. Mix of Irish wp and np business.
Phoenix 90% WPF	1.5	Floating charge	All business in PLAE 90% WPF. Mix of Irish wp and np business.
Phoenix NPF Unit-Linked	40.2	Floating charge	Investment element of Irish unit-linked business in NPF
RLL Unit-Linked	182.9	Floating charge	Investment element of Swedish and Norwegian unit-linked business in NPF
Total	**603.2**		

5.3.3. With-profits reinsurance agreements

These arrangements will reinsure a 100% quota share of all liabilities in respect of policies transferring from the PLL with-profits funds.

Cash flows

An amount of assets equal to the with-profits (“WP”) and non-profit (“NP”) BEL in PLL will transfer to PLAE on the effective date of the Scheme (the Effective Date). The initial reinsurance premiums payable from PLAE to PLL will match the transferring BEL. Thus, the transferring WP assets will net off against the initial reinsurance premium, and no actual assets will move.

A one-off payment would be made from PLL to PLAE as required to satisfy transfer pricing considerations to compensate PLAE for its own local governance costs and ongoing management of non-reinsured risks accepted as a result of the WP transfer. This amount will be split between the with-profits reinsurance treaties in approximate proportion to the size of transferring liabilities.

The PLAE Non-Profit Fund will not acquire any interest in the shareholder’s share of any of the PLL WPFs distributions.

Future premiums will be collected from customers by PLAE and passed through to the PLL WPFs. Likewise, all claims paid will be paid by PLAE and funded by reinsurance claims from PLL.

The combined premiums less claims, expense and tax cash flows will be aggregated to give a net amount paid by PLAE (if positive) or by PLL (if negative) and would be settled monthly to avoid a material liquidity strain to PLAE.

Reinsurance services

The reinsurance treaties define the services provided by PLL on behalf of PLAE in the ongoing exercise of discretion and management of the funds.

a) determination and implementation of investment strategies;
b) producing and monitoring run-off plans;
c) monitoring customer communications;
d) declaration of bonus;
e) monitoring payout ratios;
f) reconciliation and monitoring of payments;
g) estate distributions;

h) managing the reinsured policies in accordance with, and monitoring compliance with, the relevant PPFM; and
i) other services required to ensure compliance with COBS 20 in the FCA Handbook.

In all respects relating to exercise of discretion and management of the funds, PLL will be obliged to treat the interests of transferred policyholders in the PLAE with-profits funds in the same way as if they had not transferred.

Termination – default events

Under each of the WP reinsurance agreements, PLAE will have the right to terminate the agreement in certain circumstances.

These can be summarised below as being where:

- PLL fails to make a payment;
- PLL commences winding up or reorganisation proceedings;
- Holders of substantial security over PLL assets begin enforcement;
- PLL is unable to pay its debts as they fall due; and/or
- Equivalent events occur outside the UK.

Termination – non-default events

Under the WP reinsurance agreements, PLAE will have the right to terminate in certain non-default circumstances.

These can be summarised below as being where:

- PLL is in breach of a fundamental provision;
- The reinsurance and/or security becomes unlawful;
- There is a loss of authorisation in the reinsurer;
- PLL materially amends PPFM principles;
- PLL exercises a sunset clause over one of the four reinsuring PLL WP Funds;
- An SCR event occurs (where the PLL solvency cover ratio goes below 105% SCR); and/or
- PLL has a credit rating below credit quality step 3.

PLL termination rights

Under each of the four WP reinsurance agreements, PLL will have the right to terminate in certain limited circumstances.

These can be summarised below as being where:

- PLAE fails to make a payment;
- PLAE is in breach of a fundamental provision;
- The reinsurance becomes unlawful; and/or
- PLAE loses its authorisation.

Effect of termination

On a default termination, the full immediate payment of the termination amount is due. The termination amount comprises:

- best estimate of recaptured liabilities, including accounting liabilities; and
- an amount representing the PLAE policyholders share of the relevant PLL WP Fund’s Estate (which includes any capital held within the fund to support the reinsured liabilities).

For non-default terminations, this termination amount is paid in stages such that within 3 business days a proportion of the termination amount is paid so as to cover any initial liquidity issues that could arise in PLAE. Within 20 business days the second stage would be paid, where the final stage payment, which would require determination of the proportion of estate on the reinsured business, would take time to calculate and agree.

If the circumstances of the closure are that PLL is closing the WPF in question then PLAE will also have to close its corresponding WPF and move the reinsured policies to the PLAE Non-Profit Fund. In this case the termination amount will comprise:

- best estimate of the recaptured liabilities including the closure uplift proposed by PLL, including accounting liabilities;
- an assessment of PLAE's Cost of Capital.

The split of the estate would need to be certified by an Independent Actuary unless the amount payable to PLAE is agreed by both PLAE and PLL and is less than £1m.

Dispute process

Irrespective of the reason for termination, the dispute process gives either entity the right to dispute a calculation. For non-default terminations, the first step would be to look to use reasonable endeavours to resolve internally. If PLL and PLAE are unable to agree following 30 business days, either party may escalate the matter to an Independent Actuary whose determination would be binding.

On default termination, the termination amount is calculated by an independent actuary (instead of PLL) and each party has 12 Business Days to dispute the calculation direct to the independent actuary.

Governance and oversight

PLAE will set up a "Finance Technical Committee", which will have specific with-profits experience, to provide oversight to the PLAE WPFs and the level of benefits received by customers. The PLAE Board will be entitled to make representations to the WPA of PLL, the PLL WPC, the PLL Board and the CEO of PLL on matters affecting the reinsured policies. The Finance Technical Committee will be provided with relevant PLL WPC papers to allow consideration to matters relating to the reinsured policies before the WPC meeting.

A Reinsurance Business Committee will be established with representatives from PLAE, PLL and RLL who will monitor management of the reinsured business (including unit-linked).

This will include oversight of significant claims and acceptability of pricing of any new business and it will provide a mechanism through which PLAE can raise issues with the operation of the new reinsurance arrangements.

The Reinsurance Business Committee is deemed to give its consent on matters referred to it only if PLAE and RLL (for matters on the RLL Unit-Linked Reinsurance Agreement) or PLAE and PLL (for matters on the With-Profits Reinsurance Agreements or the PLL Unit-Linked Reinsurance Agreement) have agreed with such matter.

5.3.4. Unit-Linked reinsurance agreements

All liability under transferring PLL and RLL UL policies (including guaranteed benefits) transfers to PLAE under the Schemes. PLL has 35 Irish UL funds and RLL has circa 250 funds that EU policyholders can invest in. It would not be operationally feasible to replicate that many funds within PLAE on the same terms as in the UK, and so, to provide the best experience for those customers, PLAE will reinsure the investment element of the unit-linked business back to PLL and RLL (as applicable) on a quota share basis, thus allowing transferring customers to continue investing in their chosen funds.

Cash flows

The initial reinsurance premium payable from PLAE to PLL and that from PLAE to RLL will equal the bid value of units relating to transferred policies under the Schemes. The transferring assets under the Schemes to match the unit liability under the Schemes will net off against the initial reinsurance premium, and no actual assets will move.

Customers will pay premiums to PLAE. PLAE will then transfer the proportion of the premium that is used to purchase units to the reinsurer who will invest that money in its linked funds.

For the PLL business, PLAE will retain any bid offer spread, policy fee, allocation charge and any switch or claim charge. PLL will take the Annual Management Charge (AMC) on this business and once any investment management expenses have been taken (net of rebates), and 2bps to cover management costs and unit guarantees, pass any excess to PLAE.

For the RLL business, PLAE will retain any bid offer spread, policy fee, allocation charge and any switch or claim charge. RLL will take the AMC on this business and once any investment management expenses have been taken (net of rebates), and 2bps to cover management costs, pass any excess to PLAE.

The reinsurer will pay to PLAE the bid value of allocated units on claim of a policy. PLAE will pay the full benefit or surrender/transfer value to its policyholder.

Premiums and claims would be set off in the preparation of the reinsurance accounts, and any net amount due to PLAE would be due immediately (and in any event within 30 days).

Termination

The agreements can be terminated by mutual consent at any time. In the case of termination by the reinsurer a 12-month notice period must be given to allow for the operational implications of PLAE's ability to take on the running of the business.

PLAE can unilaterally terminate on 90 days' notice at any time and immediately (subject to relevant process) on insolvency related events including reinsurers failure to make payment, reinsurer insolvency events, or if PLL or RLL fall below 105% solvency cover ratio.

Specific termination rights arise for either party when:

- The other party is in breach of a fundamental provision;
- The reinsurance becomes unlawful; and/or
- The other party loses its authorisation.

The termination amount will be calculated by reference to the bid value of the allocated units at the date of termination, adjusted for any outstanding cash flows.

Governance and oversight

The Reinsurance Business Committee will monitor the management of the reinsured unit-linked business. This would include matters such as:

- Investment performance of the funds
- Oversight of the external fund managers by the reinsurers
- Any changes to the investment management agreements or rebates
- Any proposed changes to the investment managers
- Any proposals to close, merge or sub-divide the reinsured unit-linked funds, or to make changes to the investment objectives of the reinsured unit-linked funds.

On dispute internal escalation procedures apply but if unresolved an independent expert (or other suitable person) may be used to make a determination.

5.3.5. Floating charges

RLL and PLL will each grant floating charges to PLAE, which are not restricted to any specified pool of assets but attach to all available assets. The floating charge will cover the total obligations of the reinsurer to PLAE on an insolvency of the reinsurer and ensures that PLAE ranks at equal priority with unsecured insurance creditors of the reinsurer in that insolvency. The with-profits floating charges over PLL would take account of any amounts already recovered by PLAE from the fixed charges of PLL.

Each floating charge contains provisions which restrict the amount recoverable by PLAE to that of unsecured direct (as opposed to reinsured) insurance debts of the reinsurer to ensure fairness with the UK policyholders remaining. Consequently, in practice the amount cannot exceed the amount that transferring policyholders would have been paid if they had not transferred.

5.3.6. **Fixed charges**

For three of the four transferring WPFs of PLL, PLL will grant a fixed charge over 65% of the reinsured BEL to be held in segregated custodian accounts. Given the amount of exposure (c€1.5m) in the 90% fund, which is in run-off, a fixed charge is unlikely to provide any material benefit to PLAE, and so the intention is not to grant a fixed charge over the PLL 90% WPF.

The fixed charges will require appropriate assets to be segregated from these three WP Funds and to manage and maintain parity with other assets in the relevant funds. The management of the assets will remain in line with the strategic asset allocation and the PPFMs (save for mutually agreed changes (if any) to meet Article 214).

The fixed charges are limited to the secured liabilities under the relevant reinsurance agreements, which are defined to equal the contractual termination amounts. Thus, if the amounts in the associated custody accounts ever exceeded the termination amounts due under the reinsurance then PLAE would be liable to return any excess back to PLL.

The fixed charges would be enforceable on any termination event, specifically including default termination events, or non-default termination events including the SCR being less than 105% or a downgrade to below Credit Quality Step 3 rating, which would be necessary to satisfy Solvency II risk mitigation requirements including Article 211 (2c).

5.4. Proposed management service agreements

5.4.1. PLAE intends to enter into an agreement with, Standard Life Assets and Employee Services Limited ("SLAESL") (Irish Branch), a group service company.

5.4.2. SLAESL (Irish Branch) will provide the resources and infrastructure services set out in the MSA Service Schedules or procure certain services from other internal and external service companies.

SLAESL will enter into agreements with Diligenta and RUKSL to supply non-regulated services to PLAE, such as the provision of IT systems. PLAE will be directly responsible for the provision of all regulated servicing activities, using resources provided by SLAESL.

5.4.3. **Outsourced Service Providers ("OSPs")**

The relevant outsourcing to OSPs consists of contracts in place between Phoenix Group companies and Diligenta and SS&C, respectively, as providers of policy administration services. Both the Diligenta Agreement and the SS&C Agreement permit other Phoenix Group companies to be added as direct "Service Recipients" under those agreements. This creates contractual links between the Service Recipient and each OSP, assists with demonstrating oversight and quality control over the services and enables the Service Recipient to benefit from the service level commitments in those OSP agreements.

In both the Diligenta Agreement and the SS&C Agreement, a Service Recipient benefits from the rights and indemnities in the relevant agreement and can enforce that agreement through the Phoenix contracting entity in each case.

It is proposed that PLAE will be added as a Service Recipient under each of these OSP agreements, which will allow PLAE to achieve the principle of minimising changes to existing policy servicing arrangements while providing PLAE with an enforceable contract with the relevant OSP and a shorter contracting chain.

5.4.4. **Termination of agreements**

These provisions ensure that the notice period for the termination of the contract by the service provider (where any such right exists) will be long enough to enable PLAE to find an alternative outsourcing solution and, in any event, the service provider is required to continue providing the services following termination, to ensure continuity of service is maintained.

5.4.5. **Monitoring and oversight**

A monitoring framework will be put in place enabling PLAE to control and monitor the performance of the services provided by SLAESL directly and through other internal and external service providers. The MSAs will outline the key activities which will be subject to the key performance indicators and metrics that are in place in respect of monitoring these outsourced activities.

PLAE's MSA with SLAESL is expected to contain provisions such that the service standards provided by PLAE will not be materially different to those provided by PLL and RLL prior to the transfer. I will comment on any material changes to the draft form of the PLAE MSA in my supplementary report.

5.5. Investment management

5.5.1. PLAE will receive three portfolios of assets in the PLL matching adjustment fund (equivalent to the BEL of the transferred annuity portfolio), primarily comprising:

- Two portfolios of gilts and investment grade corporate bonds denominated in EUR;
- A portfolio of illiquid fixed interest assets in run-off; and
- Cash and other deposits.

The assets backing unit-linked liabilities will be offset by the initial premium under the unit-linked reinsurance arrangements. A small amount of other assets would transfer relating to the other non-linked liabilities of PLL and RLL.

Prior to the transfer date, PLAE will receive an injection of share capital from its parent to cover its anticipated capital requirements following the transfers. It will also receive a contribution under the transfer price agreement on the effective date of the Schemes. A large part of this capital is expected to be invested in gilts and supranational assets denominated in EUR following the transfer.

All shareholder assets will be managed by the Phoenix group asset management function under the PLAE MSA with SLAESL, according to PLAE's strategic asset allocation and under the oversight of PLAE's Chief Investment Officer. Otherwise, there would be no changes to the staff, processes and methodologies deployed to manage PLAE's shareholder assets.

5.5.2. PLAE will maintain policyholder funds in respect of its unit-linked business and policies within its with-profits funds. All of these policyholder funds will be reinsured back to PLL and RLL under the agreements described above. The reinsurance services include management of the reinsured assets, with PLAE providing some oversight through the governance terms. In the case of the assets secured under the fixed charge, these would still be invested according to the PLL funds' strategic asset allocation, though PLAE would need to approve any changes to this.

5.5.3. The annuity portfolios currently contain some non-EUR denominated assets backed by cross-currency swap derivatives, and some interest rate swaps used to manage interest rate risk. PLAE will need its own counterparty arrangements setting up to hold derivatives, and this process may not have concluded by the transfer date. To avoid this dependency, PLL is planning to reinvest the non-EUR assets into EUR assets and carry our certain other trades within its current ALM framework prior to the transfer. The derivatives will be unwound and will not transfer to PLAE. The effect of the trades would be to avoid the risks currently mitigated by derivatives, and there should be no material change to the risk profile or SCR of PLAE. I will provide an update on the status of this exercise in my supplementary report.

5.6. Source of funding

5.6.1. RAL is contributing the initial capital of PLAE in a two-stage process:

- In May 2021, RAL injected sufficient capital to hold eligible basic own funds to cover at least PLAE's MCR prior to the time of authorisation, plus any other short-term obligations of PLAE prior to the transfer; and
- RAL will inject the remaining amount of cash required to capitalise PLAE prior to the transfers of business from RLL and PLL. This is a requirement of the Schemes before the transfers can take effect.

As RAL is not a party to the Schemes, RAL will give an undertaking to the English Court that it will contribute sufficient assets to PLAE so that the Capitalisation Requirement may be satisfied.

5.6.2. Prior to the transfers and following the injection of funds, PLAE will have the following solvency II balance sheet.

Table 10: YE21 Pro Forma Balance Sheet (pre transfer)

€m	At Authorisation	Before the transfer can take place
Excess shareholder assets*	6.0	170.4
Assets backing annuity business	-	-
Reinsurance recoverables	-	-
Other assets	-	-
Total assets	**6.0**	**170.4**
Index-linked and unit-linked insurance	-	-
Other life insurance	-	-
Health	-	-
Insurance with profit participation	-	-
Total liabilities	-	-
Own funds	**6.0**	**170.4**
SCR**	3.7	3.7
December solvency ratio before dividend	**162%**	**4606%**

* £5m has been converted at the Q4 21 exchange rate of £1 : € 1.1907
** SCR, pre-transfer, equals the MCR of €3.7m

5.6.3. The tables illustrate the amounts of funding that would be required based on the financial information available as at 31 December 2021.

5.6.5. An updated final assessment of the required funding will be carried out during Q3 2022, to take account of any changes in market conditions or other assumptions that underpin the calculations during the year, as well as the run-off of the business since 31 December 2021.

5.6.6. The Boards of PLL and RLL will determine and agree the amount of assets that PLAE will be required to hold, taking account of the transferring assets under the Schemes. This is a requirement of the Schemes before the transfers can take effect. This is expected to take place in September 2022.

5.6.7. After the full funding has taken place, the Board of PLAE will confirm that PLAE has sufficient assets to satisfy the Capitalisation Requirement, as a condition before the transfers can be made effective. This confirmation is expected to take place in October 2022 and prior to the Schemes becoming effective.

5.6.8. The UK Sanctions Order includes a direct undertaking to be given by RAL to provide the capital injection before the Effective Date.

6. PLAE following the proposed transfers

This section considers the preparation and expected financial position of PLAE post transfer. As noted above, PLAE does not have any existing policyholders to consider and the effect of the Schemes on the existing RLL and PLL policyholders being transferred to PLAE in considered by the respective CAs and WPA. The CA and WPA reports have concluded that the Schemes does not adversely impact the benefit expectations and fair treatment of policyholders. I have relied on their conclusions in that respect.

In Section 6.4 I have considered the likely impact of the transfers in terms of security of PLAE post transfers.

In Section 6.5 I have commented on the operational readiness of PLAE.

6.1. Financial information

The sub-sections below set out the key financial information in relation to the Solvency II Pillar 1 calculations on a pro-forma basis as at 31 December 2021. The capital requirement (SCR) shown in the tables is based upon the Solvency II standard formula, which will be the regulatory basis for PLAE.

A commonly used measure of security in the insurance industry is the SCR Coverage position which is Own Funds (or the excess of assets available over and above liabilities) as a percentage of the SCR. I have made reference to this measure throughout this report.

6.1.1. Base balance sheet

The base balance sheet has been produced on a pro-forma basis at YE 21, assuming the transfers of business from PLL and RLL took place on 31 December 2021. Some adjustments have been made to existing YE21 positions in moving from the transferor companies to PLAE to reflect the expected position post transfer. These adjustments relate mainly to manual balances which will have run-off by the time of the transfers.

One significant assumption has been made, compared with the existing YE21 assumptions in the transferor companies. This is:

- The estimated additional expenses required to run PLAE over the next 20 years have been capitalised and added to the BEL. The expense base of PLAE comprises of the following elements:
    - Fixed per-policy servicing costs payable to SLAESL and RUKSL under the MSAs, which are subject to inflation;
    - Investment management expenses for non-reinsured business; and
    - Direct costs of running the business, including PLAE staff costs, audit and regulatory fees, premises, and other costs.
    - Note that investment management expenses for the reinsured business are deducted from the policyholder funds, on the same terms as prior to the transfers.

I note that the fixed per-policy service cost schedules have not been finalised, as they are dependent on the final budgeted costs to be borne by SLAESL. However, they have been allowed for on a best-estimate basis in the calculation of PLAE's technical provisions. I will provide an update on the PLAE expense provisions in my supplementary report.

The projected financial resources of PLAE have been projected over a five year period on a best estimate basis, using the following key assumptions:

- Assets have been assumed to earn a risk-free return in line with the EIOPA Euro yield curve.
- Gross BEL and the reinsurance asset have been projected in line with the YE21 valuation basis for both RLL and PLL.
- Modelled cash flows have been used to project the liabilities.
- Manual balances have been run-off in line with modelled business.
- PLAE is closed to new business, except for annuities that vest in PLAE.
- The SCR and Risk margin have been projected using appropriate risk-drivers.
- For the purposes of the projection, a dividend is assumed to be payable at the end of each year, if own funds are greater than the target solvency cover ratio of 150%.

Table 11: Projected base balance sheet

€m	YE21	YE22	YE23	YE24	YE25	YE26
Excess shareholder assets	221.2	213.1	200.7	189.6	178.7	167.1
Assets backing annuity business	471.5	458.4	438.1	416.6	392.1	367.4
Reinsurance recoverables	602.1	505.2	438.4	379.9	333.4	293.4
Other assets	4.0	3.9	3.7	3.5	3.3	3.1
Total assets	**1,298.9**	**1,180.6**	**1,080.9**	**989.6**	**907.5**	**830.9**
Index-linked and unit-linked insurance	237.2	204.4	179.6	158.2	137.2	118.5
Other life insurance	522.0	502.4	477.5	452.6	425.2	397.4
Health	-1.2	-0.8	-0.5	-0.3	-0.1	-0.0
Insurance with profit participation	422.6	353.0	306.4	265.0	235.5	210.0
Total liabilities	**1,180.6**	**1,059.0**	**963.0**	**875.5**	**797.8**	**725.8**
Own funds	**118.3**	**121.6**	**117.8**	**114.0**	**109.7**	**105.1**
SCR	78.9	76.4	73.7	70.9	67.9	64.8
December solvency ratio before dividend	**150%**	**159%**	**160%**	**161%**	**162%**	**162%**
Dividend	-	6.9	7.2	7.6	7.9	7.9
December solvency ratio after dividend	**150%**	**150%**	**150%**	**150%**	**150%**	**150%**

I have reviewed the material assumptions and the modelling methodology used by PLAE to produce its financial projections. The projections show that PLAE remains sufficiently capitalised over the period, with a prospect of returning dividends of around €7m per annum to RAL.

The principal sources of dividend generation over the five-year projection period are the release of the SCR, the release of Capital Management Policy buffer and the release of Risk Margin as the business runs off and the return on assets and the unwinding of the discount rate. There is also a small profit generated from vesting annuities.

6.1.2. Risk profile

The breakdown of PLAE's Standard Formula SCR at YE21 is set out in the table below. This provides a quantitative view of the risks which PLAE will cover.

Table 12: PLAE SCR Breakdown YE21

€m	YE21	% of undiversified SCR
Longevity risk	51.3	46.1%
Spread risk	25.8	23.2%
Counterparty default risk	10.6	9.5%
Expense risk	10.4	9.3%
Equity risk	5.3	4.8%
Lapse risk	4.5	4.1%
Currency risk	1.4	1.3%
Interest rate risk	1.0	0.9%
Other	0.9	0.8%
Total before diversification	**111.3**	**100.0%**
Diversification	-36.8	
BSCR	**74.5**	
Operational risk	4.4	
SCR	**78.9**	

The key risks are as follows:

- Longevity risk (46.1%) - arising from a lower than expected number of deaths experienced on PLAE's annuity book. Net of intra-group reinsurance arrangements, this is the majority of business retained within PLAE and is therefore its largest risk in terms of regulatory capital requirement.
- Spread risk (23.2%) - arising from changes in the difference (or spread) between yields on corporate bonds over the swap curve. This predominantly relates to the corporate bond asset portfolio which backs the annuity book.
- Counterparty default risk (9.5%) – arising from the significant reinsurance arrangements within PLAE.

6.1.3. Stressed projections

PLAE produced solvency projections on a range of appropriate stress scenarios covering the material risks and features of the business on the pro-forma year-end 20 balance sheet.

Even under reasonably severe stress scenarios, the projections showed that PLAE was able to return to within its risk appetite during the five-year projection period through normal operation of the business without seeking further financial support from its parent. Furthermore, a range of potential actions would be available to the PLAE Board and management that could be taken to mitigate such adverse circumstances. No dividends would be payable by PLAE for any period that it remained in a worse position than its risk appetite.

Additionally, the PLAE stress and scenario testing considered the impact of recapture of the reinsurance, particularly in situations where a deterioration of the financial strength of the reinsurers significantly increases the counterparty default exposure of PLAE.

There is an element of uncertainty in these calculations, as the terms for splitting any residual estates would be determined at the time. However, provisional calculations of PLAE post-recapture solvency under best estimate conditions show that PLAE would have financial resources to provide corresponding benefits to the holders of policies that had been covered by the reinsurance agreements, and still meet its risk appetite. Under stressed conditions, PLAE would need to apply management actions to maintain its risk appetite. Such management actions would be similar to those likely to be used by PLL in such circumstances in its running of the with-profits funds.

6.1.4. **Capital adequacy**

I have reviewed the pro-forma balance sheet results, both at year-end 2020 and year-end 2021, as well as the ORSA report which was prepared for the Application which shows the projected capital position of PLAE based on the business plan.

Overall, as noted above, the projections show that PLAE remains sufficiently capitalised over the projection period, with a prospect of returning a steady stream of dividends to RAL.

The types of risks to which PLAE will be exposed are typical of a life assurance entity. The top three risks to which will be longevity risk, spread risk and counterparty risk. As discussed above, post-transfer, the majority of policies will be 100% reinsured to PLL and RLL. The longevity exposure arises in the retained annuity book of business transferring from PLL. The counterparty default risk arises mainly due to the reinsurance arrangements with PLL and RLL.

PLAE will hold sufficient capital to cover the SCR for these risks plus an additional capital margin in line with the company's Capital Management Policy and risk appetite.

6.2. Operational readiness

As described in Section 3.1.1, PLAE was newly incorporated in December 2020, with a view to it becoming the nominated transferee of proposed Schemes. As such, at the time of writing, PLAE does not have any policyholders nor existing processes in place.

Section 3.3 sets out a description of the planned administration arrangements for policies transferring to PLAE. MSA arrangements for PLAE will be put in place that deliver resources to carry out all of the services included in the existing arrangements in relation to the transferring contracts from PLL and RLL. Since the current UK-based service providers are not authorised to provide regulated servicing activities to PLAE, these services will be relocated to Ireland. The existing administration processes and IT servicing platforms are planned to continue with only consequential changes to the location, oversight, and governance of the services as a result of the transfer.

Phoenix group has also set up an Operational Readiness project for PLAE. The planned outcomes of this project are:

- to ensure all operational activities (including, but not limited to, financial reporting, operational implications on servicing, implementation of reinsurance arrangements and setting up of unit-linked mirror funds) required to support the implementation and ongoing running of PLAE have been appropriately considered and addressed prior to the Part VII transfers into PLAE (1st January 2023);
- to deliver the key roles and activities that support the agreed target operating model so that the PLAE structure is established appropriately in advance of the date of transfer;
- to ensure the transferring business is able to successfully transfer into PLAE by the 1st January 2023; and
- to ensure there is a successful handover of PLAE to business as usual teams by year-end 2022.

The overall project plan has been split into a number of workstreams, each of which is led by an appropriate person and governed by a terms of reference. All of the terms of reference have been finalised and approved. The workstreams are resourced with experienced existing staff members across RLL, PLL and/or outsourced team members.

The progress of the plan is managed using a set of key milestones and deliverables set out to achieve the outcomes listed above.

7. Conclusions

Based on the information available to me at this time, I conclude that the proposed funding mechanism means that:

- PLAE should have sufficient own funds to meet its regulatory capital and Capital Management Policy at all stages of the transfer process;
- PLAE should be able to meet its capital policy requirements throughout the projection period; and
- PLAE should have sufficient resources to withstand adverse stress scenarios and, based on its proposed management actions in those scenarios, return to within its Capital Management Policy solvency level within a reasonable period of time.

I have reviewed the key assumptions and the modelling methodology used by PLAE to produce its financial projections and am satisfied that they are materially appropriate.

I have also reviewed the draft reinsurance and security agreements between PLAE, RLL, and PLL, and am satisfied that:

- the operation of the treaties should not change the benefits provided to transferred policyholders (as against the benefits which they would have received had they not been transferred to PLAE); and
- the termination terms of the reinsurance agreements and the security agreements provide an appropriate degree of protection to PLAE against the risk of downgrade or default by the reinsurers.

Niall Naughton

Niall Naughton

28 June 2022

Signing Director of PricewaterhouseCoopers

Fellow of the Society of Actuaries in Ireland

8. Reliances and limitations

8.1. Data and information reliances

8.1.1. In carrying out the work and producing this report, I relied on data and other information provided by RAL, PLL and RLL. I have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

8.1.2. I performed a limited review of the data used directly in my analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of my assignment.

8.1.3. This report is based on the following assumptions:

- We were provided with access to accurate and complete data and information.
- RAL, RLL and PLL informed us about the source and the intended use of the data and information and has disclosed to us (PwC) all limitations of and adjustments made to such data and have provided us with all other information reports and conclusions of any internal or external relevant analysis performed on the quality of data.
- RAL, PLL and RLL ensured that all data received from external service providers such as market data, financial data and other general available data are accurate and reliable.
- RAL, PLL and RLL provided us with all information about the reliability of the sources of information and their consistency and stability of the processes of collecting and publishing of such information over time.
- RAL, PLL and RLL informed us about any changes that have been applied over time to external data, whether those changes relate to assumptions or associated methodologies or any other procedures regarding the collection of external data.
- RAL, PLL and RLL informed us about any data limitations or uncertainties which may affect the data.

8.1.4. In carrying out the work and producing this report, reliance has been placed upon, but not limited to, the following information:

- Details of the transferring products and business of PLL and RLL.
- Solvency II balance sheets and Solvency Capital Requirements as at 31 December 2020 and 31 December 2021.
- RAL application for authorisation of PLAE submitted to the CBI.
- The ORSA for PLAE prepared as part of RAL's application to the CBI for authorisation for PLAE.
- The Chief Actuary of PLL report, the Chief Actuary of RLL report, and the report prepared by the With-Profits Actuary of PLL.
- The Independent Person's report.
- Details of reinsurance treaties for the entities involved in the Schemes.
- The Schemes.
- Risk Appetite Statement and Capital Management Policy for PLAE.
- Operational readiness information for PLAE.

8.1.5. This report was based on data and information available to us at, or prior to the report date, and takes no account of developments after that date.

8.2. Variability of results

8.2.1 Assumptions are made about future experience. However, actual future experience is likely to differ from these assumptions, due to random fluctuations, changes in the operating environment and other factors. Such variations in experience could have a significant effect on the results and on the conclusions of this report. No warranty is given that the assumptions made in the information underlying our conclusions in this report will be reflected in actual future experience.

8.3. Distribution of this report

8.3.1. This report has been prepared for use by various interested parties as follows:

- The Court having jurisdiction over the proposed transfer
- Policyholders of PLL and of RLL who are directly affected by the proposed Part VII transfer
- The Chief Actuary and With-Profits Actuary of PLL
- The Chief Actuary of RLL
- The Central Bank of Ireland, the Prudential Regulatory Authority and the Financial Conduct Authority
- Professional advisors appointed by any of the above in connection with the proposed transfer, including the Independent Person

8.3.2. This report may not be published without my written consent, with the exception of making the report available for inspection by or circulation to policyholders as required by legislation or in order to meet any other specified legal requirements.

8.3.3. A summary of this report may not be made without my written consent and, in particular, a summary of this report should not be distributed to policyholders without my prior approval.

8.4. Usage of this report

8.4.1. This report has been prepared by me as the proposed Head of Actuarial Function of PLAE under the terms and conditions of the letter of engagement dated 23 July 2021 and within the context of the assessment of the terms of the proposed Schemes. Users of this report must not rely on it for any purpose other than in connection with the Schemes.

8.4.2. No liability will be accepted by PwC, or me, for any application of this report to a purpose for which it was not intended nor for the results of any misunderstanding by any user of any aspect of this report (or any summary thereof). Neither PwC nor I owe or accept any duty to any party other than to RAL. Neither PwC nor I shall be liable for any loss, damage or expense (including interest) of whatever nature that is caused by any party’s reliance on representations in this report.

8.4.3. This report must be considered in its entirety as individual sections, if considered in isolation, may be misleading. Draft versions of this report must not be relied upon by any person for any purpose. If reliance is placed contrary to the guidelines set out above, PwC disclaim any and all liability which may arise.

8.4.4. The report is intended to be used by a person with a certain level of expertise in the areas addressed and for the stated purposes only. Any reader of this report must possess a certain level of expertise in areas relevant to this analysis to appreciate the significance of the assumptions and the impact of these assumptions on the illustrated results. The reader should be advised by their own actuaries or other qualified professionals competent in the subject matter of this report, so as to properly interpret the material.

8.4.5. The consultants who worked on this assignment are life insurance actuaries. As such, they are familiar with statutory accounting and GAAP accounting, but are by no means experts in law, taxation, or accounting. Our advice is not, nor is it intended to be, a substitute for qualified legal, tax, or accounting advice.

9. Glossary

Term	Definition
BEL	Best estimate Liabilities, the value being derived from a model using best estimate actuarial assumptions.
CBI	Central Bank of Ireland, the regulator of insurance companies in Ireland.
Capital Management Policy	A Board approved policy for the amount of additional capital the firm holds in excess of the regulatory requirements to provide an additional solvency buffer.
CNP	Conventional non-profits business; types of policies where the premiums and claims are fixed in nominal terms.
CWP	Conventional with-profits business; in which policyholders participate in the surplus emerging from with-profits funds.
Cost of Capital	A calculation representing the economic cost of raising and holding the capital resources needed to meet the non-hedgeable risk components of the SCR.
Credit Rating Quality Step	The external credit rating given to a life company's contractual counterparty, as defined in the Solvency II regulations.
Diligenta	Diligenta Limited, and external service company providing administration services to companies in the Phoenix Group.
Estate	The excess free assets of a life insurance company over the best estimate liabilities.
EIOPA	European Insurance and Occupational Pensions Authority, the European supervisory authority for Insurance business.
FCA	Financial Conduct Authority, the regulator of the financial services industry in the UK responsible for the conduct of financial services firm, including the fair treatment of customers.
Fixed Charge	An agreement under which certain assets are secured as collateral against the risk of default by the counterparty.
Floating Charge	An agreement giving the holder a right of charge over all of the assets of the counterparty which may be crystallised in the event of default. This is generally limited to the termination amount of the associated contract.
Guaranteed Annuity Options (GAOs)	The right to secure an annuity at a guaranteed rate on vesting which applies to some types of pensions business.
Independent Person (IP)	In the context of the UK transfer this refers to the Independent Expert, and in the context of the Irish transfer this refers to the Independent Actuary. In both cases this is Mr Philip Simpson of Milliman.
Internal Model	An alternative methodology for determining the SCR instead of using the standard formula. Internal models require regulatory approval.
Minimum Capital Requirement (MCR)	The Solvency Capital Requirement is the minimum amount of capital a company is required to be authorised to write long-term business under Solvency II Pillar 1.
MSA	Management Services Agreement, an agreement that provides for the administration services in respect of the transferring business following the transfer date. PLAE will have MSAs with SLAESL and RUKSL.
Matching Adjustment	An increase to the risk-free discount rate used to value annuity liabilities backed by an identified portfolio of eligible assets. Requires regulatory approval and certain strict ongoing requirements must be adhered to.
Outsourced Service Provider (OSP)	An external service company. PLAE has two main OSPs – Diligenta and SS&C.

Term	Definition
Own Funds	Free assets on an insurance company balance sheet in excess of the amount required to cover technical provisions and the regulatory capital requirements.
ORSA	Own Risk Solvency Assessment, a pillar of the Solvency II prudential regime based on the firm's own assessment of the risks of the business, rather than the regulatory prescribed methodology.
Phoenix Capital Policy (PCP)	The capital management policy that generally applies to life companies in the Phoenix group.
PGH	Phoenix Group Holdings Company Limited.
PGMS	Phoenix Group Management Services Limited, a UK-based service company of the Phoenix group.
PLAE	Phoenix Life Assurance Europe dac.
PLAE NPF	The non-profits fund of PLAE, which holds all of the remaining long-term business of PLAE apart from that in the ring fenced with-profits fund.
PLAE 90% WPF	The 90% with-profits fund of PLAE.
PLAE Alba WPF	The Alba with-profits fund of PLAE.
PLAE Phoenix WPF	The Phoenix with-profits fund of PLAE.
PLAE SPI WPF	The SPI with-profits fund of PLAE.
PLL	Phoenix Life Limited.
PLL NPF	The non-profits fund of PLL.
PLL 90% WPF	The 90% with-profits fund of PLL.
PLL Alba WPF	The Alba with-profits fund of PLL.
PLL Phoenix WPF	The Phoenix with-profits fund of PLL.
PLL SPI WPF	The SPI with-profits fund of PLL.
PLL TCB	Phoenix Life Limited Third Country Branch (Ireland).
PCF	Pre-Approved Controlled Function, a designated role in an Irish insurance company that requires the holder to be approved by the CBI.
Principles and Practices of Financial Management (PPFM)	A document produced and maintained by a UK life company setting out how its with-profits fund(s) will be run.
PRA	Prudential Regulation Authority, the regulator of the financial services industry in the UK responsible for the safety and soundness of firms and securing an appropriate degree of protection for policyholders.
RAL	ReAssure Limited.
RLL	ReAssure Life Limited.
RLL IGR	The internal reinsurance agreement between RLL and RAL.
RUKSL	ReAssure UK Services Ltd, a service company in the Phoenix group that provides administration for life companies that were part of the ReAssure group.
Ring Fenced Funds (Ring fencing)	An arrangement where profits and losses on an identified block of business are segregated and cannot be shared with or used to absorb losses elsewhere in the company, commonly used for with-profits funds.
Risk Margin	An amount representing the amount required by a third party to take over the capital obligations of an insurance company.
Risk Profile	The composition of different types of risk borne by an insurance company, typically subdivided into market risks, insurance risks, and operational risks.

Term	Definition
Solvency Capital Requirement (SCR)	The Solvency Capital Requirement is the capital a company is required to hold under Solvency II Pillar 1.
Solvency Cover Ratio	The ratio of Own Funds divided by the SCR.
Standard Formula (SF)	The methodology and calibration set by EIOPA to determine regulatory capital requirements for firms that do not use an internal model.
SLAESL	Standard Life Assets and Employees Services Ltd, a Phoenix group service company with a branch in Ireland.
SLIntl	Standard Life International Limited.
SS&C	SS&C International Managed Services Limited, an external service company providing administration for certain Irish policies in the Phoenix group.
Sunset Clause	Provisions in a transfer scheme that set out measures that can be taken to wind up or merge a with-profits fund, once its liabilities have been reduced to a defined level.
Technical Provisions	The amount that an insurer requires to fulfil its insurance obligations and settle all expected commitments to policyholders and other beneficiaries arising over the lifetime of the insurer's portfolio of insurance contracts.
Transitional Measure on Technical Provisions (TMTP)	Optional reduction to the Solvency II technical provisions to phase-in an increase to the technical provisions from the previous regime over a 16-year period. Requires regulatory approval.
Unit-Linked business (UL)	A type of long-term business where the policy benefits are determined directly by the value of assets held in policyholders' funds. These funds are divided into units of equal value and allocated amongst policies in proportion to their investment in the fund.
Unit-Linked Reinsurance Agreements	New contracts that PLAE will enter into with PLL and RLL that reinsure 100% of the transferred unit-linked liabilities back to PLL and RLL.
Unitised with-profits business (UWP)	A hybrid of unit-linked and with-profits business, where the value of units is linked to the performance of a with-profits fund, and increases in line with profits distributed by that fund.
Volatility Adjustment	An uplift to the risk-free discount rate used to value certain liabilities. Requires regulatory approval and certain conditions to be met.
With profits business	A with-profits policy is a type of long-term insurance contract. It provides benefits to customers through eligibility to participate in discretionary distributions based on profits arising from the life insurer's business or from a particular part of the life insurer's business. Distributions are typically made in the form of bonuses that are added to the value of the policy annually.
WPA	With-Profits Actuary (of the relevant funds of PLL).
WPC	With-Profits Committee (of PLL).
With-Profits Operating Principles (WPOP)	A document produced and maintained by an Irish life company setting out how its with-profits fund(s) will be run.
With-Profits Reinsurance Agreements	New contracts that PLAE will enter into with PLL that reinsure 100% of the transferred liabilities and risks from the with-profits funds back to PLL.